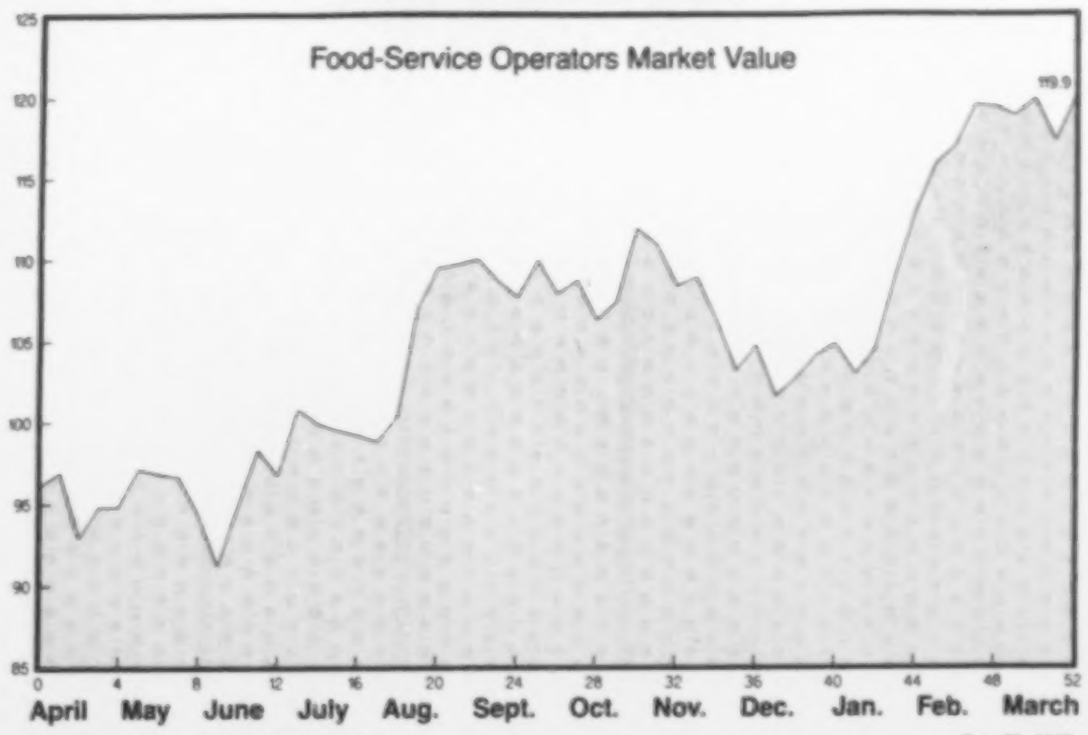
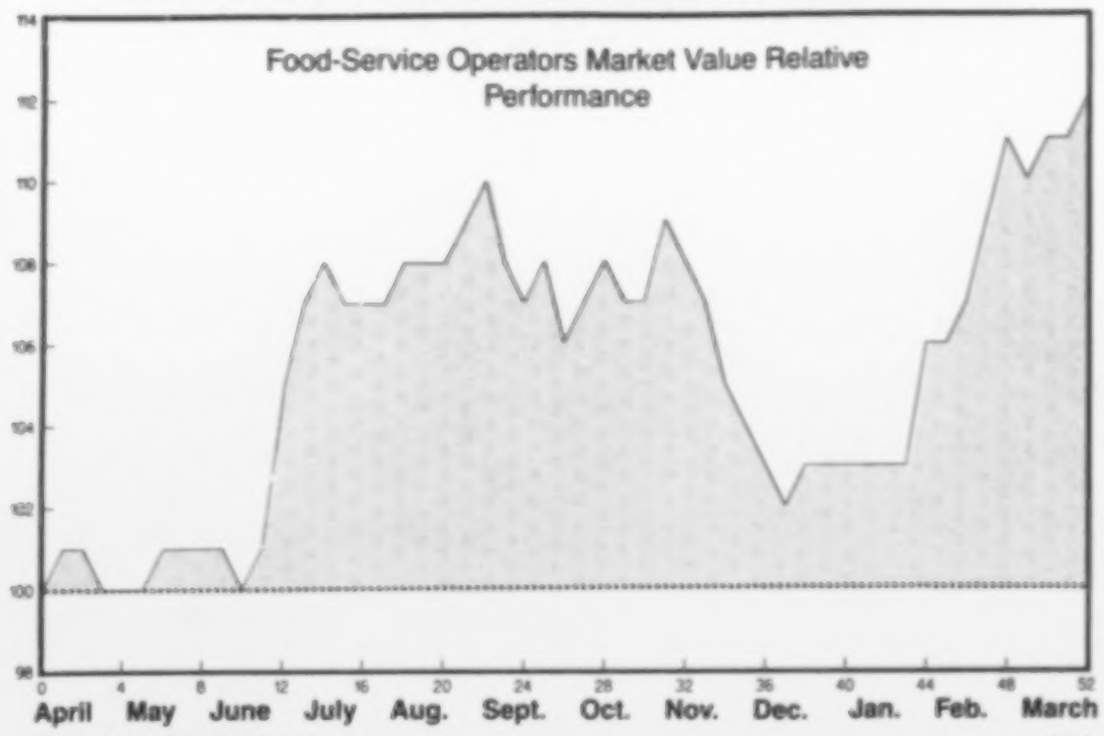
FINANCIAL NEWS

NRN *STOCK INDEX*



Source: Media General Financial Services — Oct. 28, 1983

NRN *STOCK INDEX VS. DOW JONES INDEX*



Source: Media General Financial Services — Oct. 28, 1983

Stock Market / Financial Update

Company and Market	3-22-85 Close	Weekly Change Amt.	Weekly Change Pct.	Weekly Range High	Weekly Range Low	52-Week Range High	52-Week Range Low	Volume Weekly Shares Traded Total	Volume Weekly Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Old Fashion Fd O	5.00	.00	.0	5.50	5.00	6.25	4.00	47	.34	.36	- 5.6	9.8	.00	.0	—	6 mos.	11-84	3.5	34.6	.1	- 50.0	.11	- 26.7	6.8	36.0	.3	- 25.0	.24	- 20.0
Pancho Mex Buffet M	7.25	.00	.0	7.38	7.13	8.25	5.88	3,954	10.65	5.37	98.3	12.9	.13	1.8		3 mos.	12-84	7.9	14.5	.2	.0	.09	12.5	7.9	14.5	.2	.0	.09	12.5
Peoples Rest M	.44	- .06	- 12.5	0.44	0.38	4.50	.25	3,026	3.51	6.17	- 43.1	NE	.00	.0	—	6 mos.	12-84	5.5	- 69.6	(17.1)	NE	(1.97)	NE	13.8	- 54.0	(20.4)	- 100.0	(2.36)	- 100.0
Piccadilly Caf M	22.88	- .13	- .5	23.00	22.50	24.25	16.50	420	.89	1.82	- 62.1	13.2	.60	2.6	—	6 mos.	12-84	48.4	8.3	3.0	30.4	.50	28.2	94.8	10.9	5.7	54.1	.95	53.2
Pizza Inn A	9.00	- .75	- 7.7	9.88	8.88	12.75	6.88	474	1.56	1.11	40.5	8.7	.08	.9	—	9 mos.	09-84	48.6	24.6	.6	- 33.3	.20	- 33.3	135.6	21.7	2.5	- 13.8	.81	- 12.9
Po-Folks M	10.75	- .50	- 4.4	11.25	10.75	16.63	8.75	200	.45	.92	- 51.1	14.9	.00	.0	—	3 mos.	12-84	30.3	30.0	.6	- 25.0	.15	- 16.7	30.3	30.0	.6	- 25.0	.15	- 16.7
Ponderosa Sys N	13.63	.38	2.8	13.88	12.88	22.88	11.50	2,312	2.41	3.49	- 30.9	8.0	.40	2.9	—	9 mos.	11-84	122.8	33.8	2.3	109.1	.22	69.2	366.8	32.0	11.5	32.2	1.28	18.5
Primo Inc O	3.00	- .50	- 14.3	3.50	3.00	4.63	2.38	369	1.09	1.19	- 8.4	NE	.00	.0	—	fiscal	09-84	.9	.0	(.2)	- 100.0	(.07)	- 100.0	3.8	46.2	(.2)	- 100.0	(.08)	- 100.0
Rax Restaurants M	10.00	.25	2.6	10.00	9.25	16.38	8.00	362	.57	1.46	- 61.0	14.7	.00	.0	—	fiscal	07-84	26.9	18.5	1.7	30.8	.27	3.8	92.9	27.4	4.2	61.5	.68	19.3
Rest Assoc A	7.63	- .38	- 4.7	8.38	7.63	8.88	5.38	538	1.92	1.31	46.6	10.4	.00	.0	—	9 mos.	09-84	35.0	- 4.1	.4	- 33.3	.14	- 39.1	97.8	- 7.3	1.0	- 23.1	.35	- 30.0
Restaurant Sys M	15.75	.00	.0	16.25	15.75	16.50	9.00	282	1.22	1.21	.8	17.7	.00	.0	—	fiscal	12-84	8.5	13.3	.5	25.0	.21	23.5	36.4	23.0	2.1	50.0	.89	23.6
Ritzys G D M	2.75	.38	15.8	2.75	2.38	8.75	1.75	109	.21	1.44	- 85.4	NE	.00	.0	—	fiscal	12-84	3.3	50.0	(2.7)	NC	(.52)	- 100.0	13.9	87.8	(4.3)	NE	(.83)	NE
Rusty Pelican M	14.75	- .13	- .8	15.25	14.75	18.25	11.00	130	.46	2.14	- 78.5	19.7	.00	.0	—	6 mos.	01-85	10.9	43.4	.2	- 50.0	.04	- 73.3	21.5	40.5	.5	- 16.7	.18	- 35.7
Ryans Fam Steak M	17.00	.00	.0	17.00	16.25	17.75	10.84	685	1.06	2.13	- 50.2	33.3	.00	.0	—	fiscal	12-84	9.3	66.1	1.0	42.9	.16	45.5	32.0	66.7	3.3	57.1	.51	45.7
Saga Corp N	30.00	.13	.4	30.50	29.75	35.50	25.88	1,881	1.44	2.11	- 31.8	11.8	.52	1.7	—	6 mos.	12-84	331.1	8.6	13.7	13.2	1.03	8.4	602.7	11.3	19.4	18.3	1.45	11.5
Sandwich Chef M	8.25	.00	.0	8.63	8.25	10.25	6.75	44	.35	.97	- 63.9	13.5	.00	.0	—	6 mos.	12-84	7.1	14.5	.1	.0	.11	37.5	14.0	13.8	.3	.0	.27	28.6
Sea Galley M	8.50	.50	6.3	8.75	8.00	11.00	6.50	2,892	7.36	5.92	24.3	NE	.00	.0	—	9 mos.	09-84	15.7	- 14.2	3.0	NE	.76	- 17.4	48.3	- 11.9	5.3	NE	1.35	1587.5
Shoney's Inc M	28.00	1.00	3.7	28.50	26.63	28.38	16.22	9,362	3.30	1.71	93.0	25.7	.15	.5		fiscal	10-84	109.8	11.2	8.3	31.7	.29	20.8	469.8	19.6	30.2	29.1	1.09	23.9
Shoney's South M	14.75	.13	.9	14.75	14.38	16.59	11.00	446	.79	1.18	- 33.1	11.8	.00	.0	—	fiscal	12-84	41.3	25.2	1.5	50.0	.25	38.9	168.6	19.1	7.3	49.0	1.25	22.5
SIS Cp M	5.00	.38	8.1	5.00	4.50	8.50	3.25	33	.21	.70	- 70.0	NE	.00	.0	—	9 mos.	09-84	2.1	61.5	(.1)	- 100.0	(.02)	- 100.0	5.6	86.7	(.1)	- 100.0	(.05)	- 100.0
Sizzler Rest Intl M	18.25	- 1.00	- 5.2	18.75	18.25	20.00	9.25	233	.34	.96	- 64.6	13.1	.00	.0		9 mos.	01-85	37.8	12.8	2.0	33.3	.29	26.1	116.9	11.5	7.0	27.3	1.03	27.2
Skippers M	11.75	- .75	- 6.0	12.25	11.75	12.50	8.00	289	1.06	2.03	- 47.8	12.6	.06	.5	—	fiscal	12-84	20.8	28.4	.9	50.0	.33	50.0	63.1	26.2	2.5	25.0	.93	14.8
So Hospitality M	5.38	.00	.0	5.38	5.25	5.88	3.75	1,596	3.33	4.52	- 26.3	15.4	.00	.0	—	6 mos.	11-84	10.3	18.4	.4	33.3	.08	14.3	21.0	25.7	.8	33.3	.16	14.3
Taco Viva M	9.88	- .13	- 1.3	10.25	9.75	11.25	7.00	184	.81	1.43	- 43.4	18.6	.00	.0	—	6 mos.	11-84	5.6	55.6	.3	200.0	.12	50.0	12.2	74.3	.6	100.0	.26	30.0
TGI Friday's N	10.63	.25	2.4	11.00	10.25	13.13	7.88	2,175	1.90	1.07	77.6	16.3	.00	.0	—	fiscal	12-84	75.6	37.5	3.2	88.2	.17	54.5	285.0	24.2	11.9	14.4	.85	.0
TGIF Texas O	2.25	.00	.0	2.75	2.25	3.75	2.25	17	.11	.24	- 54.2	NE	.00	.0	—	3 mos.	03-84	2.6	18.2	(.1)	NC	(.07)	- 100.0	2.6	18.2	(.1)	NC	(.07)	- 100.0
Transworld N	34.13	- 1.00	- 2.8	35.25	34.00	37.63	24.50	4,892	1.50	2.51	- 40.2	10.9	.40	1.2	—	fiscal	12-84	522.9	3.0	29.5	NE	.75	- 62.1	2002.0	6.0	115.0	NE	3.14	NE
USACafes M	5.38	.25	4.9	5.38	4.88	5.75	2.75	1,540	2.45	3.42	- 28.4	15.4	.28	5.2	—	3 mos.	12-84	4.6	15.0	.4	- 20.0	.07	- 30.0	4.6	15.0	.4	- 20.0	.07	- 30.0
Vicorp Restaurants M	24.88	.25	1.0	25.13	23.88	26.25	13.25	1,765	2.66	4.53	- 41.3	18.8	.12	.5		fiscal	10-84	87.9	145.5	2.9	52.6	.45	40.6	242.3	158.3	8.7	81.3	1.32	55.3
Victoria Stations M	4.00	- .13	- 3.0	4.00	3.75	8.00	2.13	287	.81	3.98	- 79.6	NE	.00	.0	—	6 mos.	09-84	22.2	- 3.5	(1.7)	NE	(.47)	NE	45.9	- 3.6	(2.5)	NE	(.70)	NE
Wendys Intl N	17.00	1.25	7.9	17.25	15.88	17.25	9.84	10,935	1.49	2.40	- 37.9	18.1	.21	1.2	—	fiscal	12-84	249.9	27.0	17.6	18.9	.24	20.0	944.8	32.1	68.7	24.5	.94	23.7
Wstn Steer M	9.88	.38	3.9	9.88	9.50	12.00	9.00	27	.22	.44	- 50.0	17.3	.20	2.0	—	9 mos.	11-84	11.2	24.4	.1	- 80.0	.05	- 87.5	31.0	25.5	.5	- 44.4	.38	- 54.2
Winners Cp N	6.63	.25	3.9	6.88	6.38	13.38	5.13	368	.82	1.06	- 22.6	17.9	.00	.0	—	fiscal	12-84	28.7	13.9	.3	- 66.7	.07	- 63.2	108.4	22.9	1.6	- 44.8	.37	- 43.1
Hotels, Motels, and Casinos																													
Brock Hotel Cp N	2.88	- .13	- 4.2	3.00	2.63	6.00	2.63	1,208	.92	.99	- 7.1	NE	.10	3.5	—	9 mos.	09-84	61.0	- 24.8	(24.6)	NE	(1.86)	NE	202.4	- 14.0	(29.5)	NE	(2.24)	NE
Hilton Hotels N	59.50	1.50	2.6	59.88	57.88	63.38	45.50	1,927	.76	1.31	- 40.5	13.7	1.80	3.0	—	fiscal	12-84	181.7	49.2	46.0	NE	1.77	88.3	686.6	12.3	114.0	32.7	4.33	35.3
Holiday Inns N	50.00	- .50	- 1.0	51.00	49.75	52.88	35.25	6,064	1.74	4.85	- 64.1	13.9	1.00	2.0	—	fiscal	12-84	430.9	9.6	20.6	33.8	.59	40.5	1759.8	11.0	131.0	5.3	3.59	9.5
Prime Mtr Inn N	22.00	- 1.38	- 5.9	23.13	21.75	24.28	12.47	1,591	.82	1.32	- 37.9	22.9	.09	.4	—	3 mos.	09-84	47.9	192.1	5.8	26.1	.30	25.0	47.9	192.1	5.8	26.1	.30	25.0
Ramada Inns N	6.75	.00	.0	7.00	6.75	8.25	5.13	2,711	.73	2.39	- 69.5	22.5	.00	.0	—	9 mos.	09-84	156.3	- 3.5	6.0	- 65.5	.16	- 67.3	448.0	2.3	6.8	74.4	.18	1700.0
Servico Inc M	18.13	- .13	- .7	18.50	17.75	22.28	12.28	53	.15	.46	- 67.4	8.5	.00a	.0	—	9 mos.	09-84	48.9	24.7	3.4	385.7	.99	395.0	139.1	24.8	6.2	138.5	1.80	136.8
Sonesta Intl M	26.50	2.00	8.2	26.50	24.00	26.50	17.50	13	.09	.11	- 18.2	7.7	.40	1.5	—	fiscal	12-84	19.1	6.7	5.9	NE	3.83	NE	81.2	10.6	5.3	211.8	3.42	235.3
Other Companies with Food-Service Operations																													
Allegheny Bev M	19.25	- .13	- .6	19.38	18.88	22.63	13.50	872	1.45	2.69	- 46.1	11.6	.40	2.1	—	9 mos.	09-84	167.3	13.4	2.4	- 25.0	.39	- 25.0	486.1	25.2	7.0	- 5.4	1.12	- 6.7
Ch Full O Nut N	8.00	.00	.0	8.38	7.88	14.56	7.25	324	.68	.75	- 9.3	100.0	.48	6.0	—	6 mos.	01-85	30.7	7.0	.2	100.0	.04	33.3	57.2	- 1.7	.3	- 57.1	.07	- 53.3
Disney, Walt N	80.00	3.25	4.2	80.25	76.38	81.13	45.25	4,373	1.30	2.52	- 48.4	65.6	1.20	1.5	—	3 mos.	12-84	426.5	37.3	32.2	257.8	.95	179.4	426.5	37.3	32.2	257.8	.95	179.4
Esteban Foods O	2.13	- .25	- 10.5	2.38	2.13	3.25	1.13	299	1.28	.96	33.3	23.6	.00	.0	—	9 mos.	09-84	3.5	34.6	.0	NC	.02	.0	9.8	25.6	(.1)	- 100.0	(.02)	- 100.0
Gen Mills N	56.88	.88	1.6	57.25	56.13	60.00	45.50	3,649	.81	1.94	- 58.2	13.6	2.24	3.9	—	6 mos.	11-84	1559.4	2.6	55.6	- 31.9	1.23	- 28.1	2945.8	1.7	109.7	- 28.9	2.43	- 24.8
Grace W R N	40.88	.13	.3	41.38	40.25	44.50	36.50	2,969	.55	1.05	- 47.6	10.2	2.80	6.9	—	fiscal	12-84	1830.8	4.4	59.1	13.0	1.22	2.5	6727.8	8.2	195.6	27.0	4.02	26.8
Horn & Hardart A	10.25	- .38	- 3.5	10.75	9.88	21.19	8.63	1,595	1.29	1.62	- 20.4	14.4	.00a	.0	—	fiscal	12-84	97.9	- 2.5	2.9	- 34.1	.22	- 33.3	363.8	7.1	9.5	- 29.6	.71	- 34.9
Ogden Corp N	30.50	- .63	- 2.0	31.13	30.25	31.88	24.13	2,243	1.18	1.04	13.5	14.9	1.80	5.9	—	fiscal	12-84	524.3	10.8	8.1	- 30.8	.42	- 31.1	2136.7	23.7	39.5	- 24.8	2.05	- 25.2
PepsiCo Inc N	51.63	3.25	6.7	52.75	48.38	52.75	36.25	43,503	4.54	1.85	145.4	22.9	1.68	3.3	—	fiscal	12-84	2272.8	- 1.4	(43.1)	- 100.0	(.32)	- 100.0	7898.7	8.5	200.8	- 29.3	2.25	- 25.2
Pillsbury Co N	48.13	.50	1.0	48.38	47.00	48.38	34.50	3,424	.79	1.37	- 42.3	11.1	1.56	3.2	—	6 mos.	11-84	1256.5	11.7	66.1	26.9	1.52	26.7	2280.0	11.0	105.0	20.8	2.42	21.0
Vie de France M	12.75	.00	.0	12.75	12.50	15.25	10.50	771	.71	1.01	- 29.7	20.9	.23	1.8	—	6 mos.	12-84	15.5	26.0	1.6	- 33.3	.14	- 41.7	29.7	22.7	3.0	25.0	.27	12.5

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting Period

3 mos. - First quarter of fiscal year
6 mos. - First six months of fiscal year
9 mos. - First nine months of fiscal year
fiscal - Fiscal year
NEW - New report since last issue

General Field Footnotes

NA - Not available or not applicable.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
a - Under dividend amount, an 'a' indicates a stock dividend.
b - Indicates cash plus stock dividend when applied to dividend amount column.

Market

N - New York Stock Exchange
A - American Stock Exchange
O - NASDAQ Over-the-Counter
M - NASDAQ National Market

Data and Table Provided by Media General Financial Services, Inc., Richmond, Virginia 23219

FINANCIAL NEWS

SPOTLIGHT ON FINANCE

Paying the price for too much of a good thing

By Rick Telberg

It is often said that there is always a shakeout in the restaurant business, that today's hot new concept is nothing but tomorrow's conversion.

But Beverly Feagin, a securities analyst at J. C. Bradford & Co. in Nashville, thinks the observation may be truer than ever because the restaurant business lapped up too much of a good thing in recent years when it raised hundreds of millions of dollars to build thousands of new restaurants before the market was ready.

"People have worried about saturation for 20 years," she said, "but today it seems that we are closer than ever to that saturation point."

Puzzled, like many in the industry, by last fall's sharp drop in traffic counts, Feagin wondered if the doom-and-gloom theories about a restaurant glut were true. "Intuitively you knew there was some overbuilding, and you knew that a lot of money had been raised," she said. "But still, when I saw these numbers for the first time, they were pretty amazing."

Feagin's view is based on a tally of all the debt and equity financings absorbed by the public markets from 1970 through the first 11 months of 1984.

From 1970 through 1980, the chain restaurant industry raised an average of $8.5 million a year in equity offerings. Typically, three companies a year went to the market, one of which was going public for the first time. Debt offerings averaged $6.3 million annually.

But in 1981, on the eve of a recession, equity issues suddenly exploded to $161.8 million as 23 companies, 15 of them for the first time, tapped the market. Despite a record high corporate bond rate of more than 14%, $92.8 million in debt was sold.

Restaurant companies accelerated their financings in 1982. Twenty-eight companies, 13 of them floating new issues, reaped $189.4 million. A half-point break in interest rates sparked the sale of $185.4 million in bonds.

But 1983, amid a roaring bull market, was the peak. Fifty companies, 32 of them taking their first dip in the stock market, raked in $367 million. New debt totaled $151.2 million.

Through the first 11 months of 1984, there was an easing. Twenty-five companies, 14 of them in initial offerings, raised $169.6 million in equity issues. Bonds totaled $164 million.

Adding it all up, we learn restaurant operators have financed publicly almost $1.5 billion since 1981, more than nine times the amount raised in all of the preceding 11 years. And Feagin's findings may be only the tip of the iceberg when financings not registered with the Securities and Exchange Commission are considered—traditional bank borrowings, partnership formations, venture capital, industrial revenue bonds and money raised by a parent company for its restaurant subsidiary. Almost $1.5 billion builds a lot of restaurants very quickly.

Feagin suggests that the reason restaurants have been hit so fast and hard by a relatively moderate slowing in consumer expenditures is that restaurateurs have nearly saturated the marketplace.

Sales and earnings gains came easily at first, as shiny new buildings designed around hot new concepts skimmed the cream off a milk run of baby-boom induced lifestyle changes. "The demographics are still changing in favor of dining out," Feagin said, "but we've passed the bulge."

Corporate overhead and high start-up costs planned for fast-track growth have become a crushing burden on the slow track. A battle for market share is not tilted in favor of the biggest companies and, ironically, in favor of the companies that were in such poor shape during the growth boom that they missed it.

The amount of overbuilding is so staggering, Feagin said, that "the companies on the brink because of it will not be bailed out by a strong economy."

* * *

STOCK-PICKERS' PICKS: Michael Esposito at Oppenheimer & Co. in New York has shaved a nickel off his 1985 per-share earnings estimate for McDonald's (recent price: $59). Bad January and February weather hurt store volumes, he said, reducing the expected first-quarter earnings gain to 6% to 10% from 12% to 15%. But the quarter's shortfall in earnings could be made up in part by a 2.8% price increase instituted in February.

Michael Culp at Prudential-Bache in New York, noting a 9.5% drop in price-adjusted unit volumes at Chi-Chi's ($10.75), termed the third-quarter results "awful." Looking ahead to the fiscal year-end in April, Culp says, "The risk isn't a flat year. It's two flat years." He remains neutral on the stock.

Wall Street eying Hilton Hotel buyout

By Peter Romeo

NEW YORK — On Wall Street, reports are circulating that Hilton Hotels Corp. chairman Barron Hilton may try to take the company private through a leveraged buyout.

Buyout hopes prevented the company's stock price from slipping more than the five points it did, to $58, after the chain was denied an Atlantic City, N.J., gaming permit, analysts said.

"We believe there may be five to 10 points of 'fluff' related to speculation of a near-term acquisition," said John J. Rohs of Wertheim & Co.

The analysts believe Barron Hilton may use his increased percentage of shares outstanding either to take over the company himself or thwart hostile takeover attempts by outsiders. Barron Hilton and company insiders now hold about 30% of Hilton Hotels' stock.

In a leveraged buyout the buyer borrows against the company's assets to pay for the purchase. The buyer will often sell the acquired concern's unrealized assets or use its cash reserves to pay off the debt.

Hilton Hotels reported total assets of $1.2 billion for the fiscal year ended December, but outside appraisers valued the assets at more than $1.7 billion. The corporation also has cash reserves of $150 million, according to Michael J. Mueller of Montgomery Securities in San Francisco.

Last year Hilton Hotels embarked on a program to realize gains in the value of its real estate through the sale of company-owned hotels, lowering its holdings by $27.9 million. In addition, the company reduced its cash reserves by $45.3 million by repurchasing two million shares of common stock last year. It plans to buy back about two million shares, or 8% of shares outstanding, to lower its cash reserves by $116 million during 1985.

'The stock has been the subject of a legal battle between Barron Hilton and the Conrad Hilton Foundation.'

Though analysts contended that a Hilton acquisition is at most a long-term possibility, they said the company is acting as if it were preparing for a buyout offer, either from the 57-year-old son of the founder or a hostile bidder. They pointed to recent stock buybacks that could be an attempt by Barron Hilton to consolidate control of the corporation.

"He's using the company to buy back shares without tendering any of his own. So his ownership percentage goes up and up," said Ed Tavlin of Prescott, Ball & Turbin in Miami.

Barron Hilton

Barron Hilton declined to comment on the takeover reports. Analysts said similar reports were circulating last summer.

"We regard a tender offer as a possibility, but can in no way predict its probability. It is unlikely to occur before 1986, if at all," Rohs wrote in a recent report.

One factor that could come into play is the settlement of a prolonged dispute over a large block of stock once owned by chain founder Conrad Hilton. It has been the subject of a legal battle between Barron Hilton and the Conrad Hilton Foundation, a philanthropic organization, since the elder Hilton's death in 1979. The dispute over to whom Conrad Hilton intended to leave the stock may be settled before the end of 1985, said Rohs.

Rohs said other matters would have to be decided before a leveraged buyout could be engineered, including the effects of proposed tax reforms that could hinder the chain's cash flow and sale of company-owned hotels,

King's Table values deal at $12.7M

NEW YORK — Once royalty payments and debt assumption are included, International King's Table's proposed purchase of the Duff's smorgasbord system from Kelly-Johnston would be valued at $12.7 million, a King's Table official told investors. Previous reports valued the deal at $10.4 million.

Stephen Wendell, vice president for finance at the Eugene, Ore., company, told an investment conference that King's Table would purchase 24 company-owned units and the rights to 76 Duff's franchises for $8.1 million in cash, $2.3 million in common stock, an estimated $1.1 million in royalty payments over four years and $1.2 million in the assumption of mortgages.

Fuddruckers buys back 2 units

SAN ANTONIO — Fuddruckers has purchased two restaurants and leases for seven more from a franchisee in a deal valued at $2.5 million.

The transaction calls for Fuddruckers to issue 230,000 new shares of stock, recently priced at $10 each, and $200,000 cash.

The franchisee operated units in Aurora, Colo., and Phoenix, and it had leases in Colorado, Arizona and N.M.

WALL STREET UPDATE

Index up 2.6 to 119.9; gainers top losers 45-41

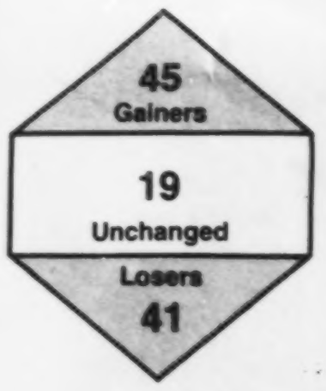
By Donald Jeffrey

NEW YORK — Amid an expanding overall market, the *Nation's Restaurant News* Stock Index last week regained the 2.6 points it had lost the previous week and closed March 22 at 119.9.

Because of multibillion dollar merger activity and a drop in the dollar's value during the week, the Dow Jones Industrial Average wound up 20.10 points higher, closing Friday at 1,267.45. However, at week's end the Government was estimating that the economy's first-quarter growth was only 2.1%, half as much as that of the previous quarter.

On the complete *NRN* stock listing, which includes lodging and diversified companies, 45 issues gained in price, 41 declined and 19 were unchanged.

The biggest price gainer of the week was Garcia's of Scottsdale, up 50¢, to close at $2.81.



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Darr blooms at La Tulipe
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Cookbook authors, chefs hold festival
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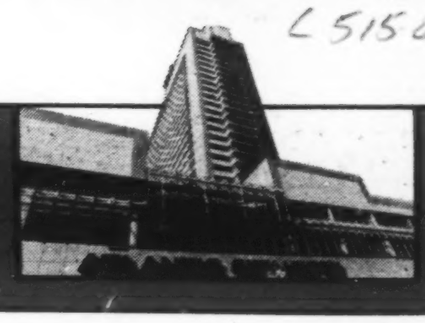

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The Weekly Newspaper of the Food-Service Industry

Vol. 19, No. 15 | Published every Monday by Lebhar-Friedman Inc.; $1 a copy, $18 a year | April 8, 1985

Conversions mount as sites grow scarce

MAJOR CHAIN ACQUISITIONS & CONVERSIONS

Parent Company	Type of Sites Acquired	No. of Units Acquired	Chains Expanded Through Acquisition
Vicorp	Sambo's	175	Village Inn, Bakers Square
Denny's	Colony Kitchens	78	Denny's
	VIP's	55	Denny's
	Alphy's	40	Denny's
	Sambo's	99	Denny's
PepsiCo	Pup 'n Taco	99	Taco Bell

Acquisition strategy yields fast market growth

By David Zuckerman

Driven by the lure of instant market penetration and the waning availability of high-traffic primary site locations, food-service chains are turning increasingly toward acquisitions.

While new store construction continues apace, a number of chains are significantly extending their geographical reach by acquiring struggling competitors and converting.

Others have embraced the acquisition/conversion route strictly to secure prime sites within established markets.

- Red Lobster recently shut down its SigmaCon design and construction subsidiary—its primary new-store development arm—to concentrate on

*(See **EXPANSION**, page 52)*

Alcohol-free wines proliferate

More operators add varietal grape drinks to menus

Don Link of Narsai's has doubts about alcohol-free wines.

By Alan Liddle

SAN FRANCISCO — A growing number of restaurants in northern California, home of some world-famous vineyards, are offering alcohol-free wines and varietal grape juices in response to the trend toward lighter drinking shown by their customers.

Several well-known San Francisco Bay Area restaurants, including Chez Panisse

*(See **WINES**, page 55)*

Marriott, three others in bidding war for HoJo

LONDON — An unidentified American corporation and a real estate group believed to be Riley Holdings of Toronto have joined Servico Inc. and Marriott Corp. in the final bidding for Howard Johnson Co., *Nation's Restaurant News* has learned.

Servico and Marriott are considered to be the most likely buyers by the executives of other food-service companies, including one that recently dropped out of the bidding.

An informed source, asking anonymity, called Marriott's bid "hostile," indicating Marriott might oust Howard John-

*(See **HOJO**, page 55)*

Union leaders seek joint talks to solve labor shortage

By Ken Rankin

WASHINGTON — Representatives of organized labor are making overtures to food-service executives for joint discussions to resolve the restaurant industry's looming labor crisis.

Manpower shortages that are already chilling expansion plans for restaurant chains in some parts of the country are certain to spread nationwide during the next few years, and it's in the mutual interest of both labor and management to explore solutions to the problem, A.F.L.-C.I.O. food and beverage trades chief Robert Harbrant said in an interview.

"This isn't a perceived labor crisis," he said. "It's a very real long-term problem for food service, and I don't see any systematic solutions under consideration by the industry to deal with it."

Although Harbrant agreed that much of the problem is demographic—the declining proportion of teenagers in the general population as the "baby boomers" of the 50's and 60's mature—he did not agree that the solution lies in shifting food-service industry employee-recruiting emphasis.

"The fast-food chains have preyed on teenagers for a generation by offering them dead end, unskilled, minimum-wage jobs," he said. Now that

*(See **LABOR**, page 55)*

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General Mills to sell three chains

Puts Casa Gallardo, Darryl's, Good Earth on the auction block

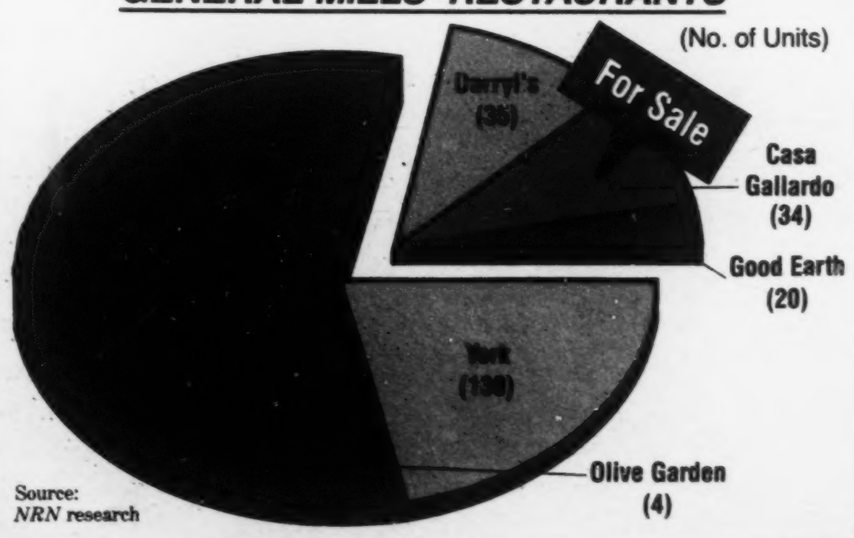
By Rick Telberg

ORLANDO, Fla. — Apparently disillusioned with subpar returns in three of its six restaurant concepts, General Mills has hung "for sale" signs on the Casa Gallardo, Darryl's and Good Earth chains.

Assets are being redeployed into 370-unit Red Lobster and its worldwide seafood supply network, 130-unit York and its shopping mall locations, foreign markets, where there are now six Red Lobsters, and the four-unit Olive Garden Italian dinnerhouse chain, a company spokesman said.

"We will be aggressively seeking acquisitions in these areas in the next several months," said Joe Lee, president of the General Mills restaurant division.

GENERAL MILLS' RESTAURANTS



Source: *NRN* research

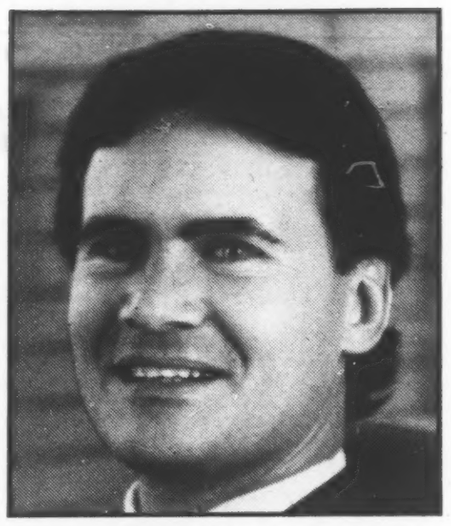
In all, 89 of the company's 600 restaurants are being considered for divestiture.

The Minneapolis-based

*(See **GENERAL MILLS**, page 55)*

Round Table targets L.A.; Chicago put on hold

Redirects growth, tests delivery and express service



Scott Bergren

By Alan Liddle

SAN FRANCISCO — Learning from its experience in Iowa, where it closed 11 units, Round Table has put plans to enter the Chicago market on hold and is concentrating on Los Angeles.

Scott Bergren, 38, president of the 430-unit chain, which recorded systemwide sales of $162 million in fiscal 1984, said recently he is confident "there's room for us" in Los Angeles, where Round Table already franchises 65 restaurants.

"Theoretically," the market could support up to 250 units, he said, adding that Round Table plans to franchise about 40 new units a year until it reaches the practical limits of expansion.

Also under way at Round Table are tests of express service, the sale of slices and home delivery, he said.

San Francisco-based Round Table has just one company restaurant, a test and training unit in Pacifica, Calif. In addition to franchises in California, the privately held enterprise has them in Oregon, Washington, Utah, Idaho, Colorado, Nevada, Arizona, Iowa and Hawaii.

Bergren stressed that expansion in the Los Angeles market is "not a substitute" for franchising in the Midwest. "It's a natural evolution of our market area," he said of the company's strategy for Los Angeles, where he said he believed Round Table and Pizza Hut lead other chains.

Early in 1984 Bergren estimated Round Table would grow at a rate of about 125 units a year. Now that the chain's expansion has been limited to existing markets—at least for the short term — such estimates would have to be revised downward, he said.

The Iowa saga began in late

*(See **ROUND TABLE**, page 37)*

Forgione to own, operate 3 Morgans hotel restaurants

By Peter Romeo

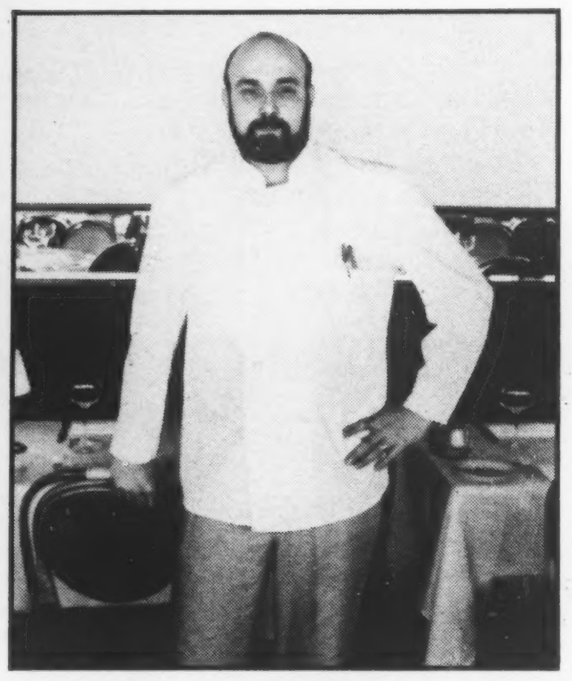
NEW YORK — Larry Forgione, renowned for his An American Place restaurant here, has disclosed that he will own and operate the three restaurants soon to open in the boutique-style Morgans hotel here.

All three will feature American fare similar to that of An American Place, Forgione said.

The establishments will include a 110-sq.-ft. formal dining room, an adjoining facility marketed under its own identity and a small Morgans Bar & Restaurant that will stay open "as late as Morgans wants it to," said Forgione.

The formal restaurant will feature a lounge, oyster bar and theatrical kitchen.

Only Morgans Bar & Restaurant will be geared toward the 154-room hotel's guests. The others, as yet unnamed, "will not be hotel dining rooms. They're regular restaurants marketed to the public that just happens to be in Morgans. It's an arrangement like the one Le Cirque has with the Mayfair Regent hotel," Forgione explained.



Morgans hotel owners Ian Schrager (left) and Steve Rubell. Right, Larry Forgione.

Morgans Bar & Restaurant will open on the ground floor of Morgans later this month. The other restaurants will be located on the mezzanine and are scheduled to open in August.

Forgione has already developed a room service menu of American fare for Morgans at the request of co-owners Steve Rubell and Ian Schrager, better known as the founders of Studio 54.

Rubell said he and Schrager are negotiating the development of a second Morgans in another U.S. city. "And there'll be more—lots more," said a spokesman for the duo.

Rubell would not say whether Forgione will own restaurants in future Morgans. "We're taking it a step at a time. We want to see how this works out first," he commented. "But I'm sure its going to work out great."

Forgione said he would continue to operate An American Place, one of the first American restaurants to open in New York. Its signature dishes include veal with Montana beef jerky, Virginia ham with pea salad, lobster and frog's leg salad.

Forgione first drew attention in New York as chef of the River Café in Brooklyn.

COMMODITIES

Meat, poultry prices to remain stable until summer

***NRN* Special Report**

Meat and poultry prices continue stable. Agricultural economists, who have predicted an imminent price hike since the beginning of the year, have again moved their time schedule back, this time to late summer. Although they have not abandoned their outlook that meat prices will climb, they have rescheduled its onset.

What has confounded the experts is the unprecedented marketing of cattle and hogs by producers. With too many farmers and ranchers caught in the trap of overexpansion and undercapitalization, the only source of ready cash is often the cattle or hogs they have on the land.

Slaughtering of hogs has been up by about 3% since the first of the year, but the inventory of hogs for breeding purposes is down 4% from that of last year and the number of hogs held for slaughter is down 1% from the amount in the first quarter of last year. Hog producers have been discouraged by the low slaughterhouse prices offered: $42-$43 vs. the $48-$50 most claim they need to break even.

Hog raising is in a state of transition between the independent farmer who raises a small number as a sideline effort and the big producer who produces hundreds of hogs a year with modern facilities and technology. The smaller producers often feed their hogs on corn and other feeds they raise. The big producers are dependent upon feed prices and must amortize capital equipment and facilities over a long haul.

The smaller producer can move in and out of the market easily. With minimum facilities, practically no capital equipment and a breeding pair all that's required, he has the flexibility of reacting to the marketplace quickly. With no quality standards for pork, as there are for beef, veal and lamb, the hog producer is concerned with carcass weight alone.

It is those smaller producers that are cutting back the most, according to U.S. Department of Agriculture economists. When the slaughtering falls off in late summer and the price for hogs moves up, many of the same farmers will start breeding again and the effect should be felt in lower prices in early 1986.

The strong dollar overseas has had one positive effect upon hams, however. Foreign hams are at their largest supply levels and lowest prices in years. The price for large canned Polish hams (11 lb.) has plummeted another $0.12 a pound in early March, bringing the price to the lowest level in 10 years and 9% below last year's prices. Polish and Danish large canned hams are selling at $1.40-$1.44 per pound at the New York port of entry, compared with domestic canned hams (12 lb.) at as much as $0.12-$0.15 a pound more.

Beef is a somewhat different situation. Import beef is almost all boned meat from range-fed animals, suitable primarily for hamburger and other ground meat use. Overseas producers do not have the facilities to feed animals to the finished stages found in American feedlots. Despite the advantages of the strong dollar, the main beneficiaries of foreign beef imports will be the fast-food hamburger operations.

The gestation period for a cow is longer than that of a hog, and it takes longer to raise a steer to market weight than it does to fatten a hog. Yet beef producers, too, have been thinning their herds and sending the calves, bull and heifer alike, to feedlots rather than holding them for breeding purposes.

If that thinning begins to taper off in the late summer and prices for beef rise, the turnaround time for increasing production without thinning herds below their already record lows is a long-term outlook, three years or more. So economists are predicting that beef prices will remain high for at least that long.

PRICE MOVEMENT AT A GLANCE

	March 25, 1984	Feb. 25, 1985	March 25, 1985
Beef, Choice, 700-900 lb., Midwest (lb.)	$1.05	$0.97	$0.89
Broccoli, Grade A dressed, icepack, NYC (lb.)	$0.6294	$0.5354	$0.4728
Celery, No. 1, Calif., 2½s (case)	$8.00-9.00	$4.00	$3.00-3.50
Coffee, green beans, Brazilian, New York port (lb.)	$1.52	$1.45	$1.40
Eggs, Grade A, large white, Chicago (doz.)	$0.90	$0.54-0.57	$0.62-0.65
Hams, Polish 10-12 lb., canned, NYC (lb.)	$1.56-1.57	$1.50-1.52	$1.40-1.44
Lettuce, iceberg, No. 1, Calif. (24s)	$5.00-7.00	$3.00-4.00	$3.00
Lobster meat, frozen canned (lb.)	$5.80-6.30	$7.35-7.55	$7.50-7.75
Pork loins, No. 1, 14-17 lb., Midwest (lb.)	$0.95	$0.88	$0.815

Source: *NRN* Research

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Expansion by acquisition

(Continued from page 1)

acquiring and converting strategically located restaurant properties.

- Vicorp acquired the remaining 175 units of the defunct Sambo's coffee shop chain and is now converting the stores to its own Village Inn and Bakers Square concepts.
- Denny's absorbed 78 Colony Kitchen restaurants last year and has greatly enhanced its market penetration over the past few years by acquiring several Sambo's sites plus some 75 VIP's and Alphy's restaurants.
- Hardee's swept into the Midwest from its primarily southern base of operations by acquiring the 700-unit Burger Chef chain from General Foods and converting the bulk of those outlets to Hardee's. The chain is also emerging as a possible buyer of Ralston Purina's 788-unit Jack in the Box, based in San Diego, which would give it a strong beachhead on the West Coast. (There are currently no Hardee's west of Salt Lake City.)
- Marriott's Roy Rogers filled in markets along the Eastern Seaboard and nearly doubled in size by acquiring the struggling Gino's fast-food chain and converting some 175 of the units to its own concept.

"Our reason for moving away from freestanding site development is not economic but primarily for location of real estate," a Red Lobster spokesman said in explaining the company's decision to abolish SigmaCon.

"We want prime locations, and there simply aren't enough corners of Main and Main left for us to build on. We have no choice but to start converting existing units to Red Lobster."

But the potential for rapid and far-reaching expansion remains the single most dominant force in the acquisition game, most chain executives agree. Moving into new markets can be a slow and painful process that requires years of development with no guarantee of results.

Hardee's, for example, increased its presence to nearly national proportions in a single transaction when it acquired Burger Chef. Conservative by nature in terms of expansion policy, Hardee's may well have taken several years to achieve such vast market penetration on a unit-by-unit basis.

Church's Fried Chicken president and chief operating officer Richard Sherman, who moved over from Hardee's in 1983, was a pivotal figure in closing the Burger Chef Acquisition for Hardee's. He is now seeking similar deals on behalf of Church's.

"The first motivation of acquiring developed sites is the speed at which you can do it," Sherman said. "The real estate is already there. Also, if you buy a competing business, you already have an idea of the economics of the situation."

While Sherman acknowledged that acquiring and converting developed sites is often "more expensive than building freestanding units from scratch" in the long run, he pointed out a substantial saving in initial soft costs "in that you may be able to achieve a great deal of expansion as the result of a single transaction."

Also, Sherman added, availability of prime sites is rapidly disappearing. "Obviously there aren't as many as there were 20 years ago," he said. "And they're becoming extremely expensive because everybody wants them. Through acquisition of a chain, you can often pick up a lot of strong locations in one shot."

ACCORDING TO Sherman, Hardee's acquisition of Burger Chef "was strictly a matter of instant market penetration. The stores and customers were already there. We didn't have to start from scratch."

But while the acquisition/conversion route represents by far the quickest means of expanding a chain into new territory, there are clear pitfalls to the process, which must be taken into account.

"We've made some good deals, and we've made some bad deals," said Scott Bergren, president of San Francisco-based Round Table Pizza, a 400-unit operation that has also expanded through acquisition.

"Usually, when you acquire a chain, it's not a very successful company," Bergren said. "You have to overcome existing site resistance because customers have a clear recollection of the bad restaurant that was on the site before. Sometimes that problem alone can make a deal not worthwhile."

AS FOR costs, Bergren added, rarely has an acquisition saved any money for Round Table. To begin with, "you must pay 45%-60% of unit sales as a purchase price," he said. "Even a sick store will cost a considerable amount. And when we buy a store, we don't like to just go in and turn a sign around."

On top of the purchase price, according to Bergren, is the cost of cleaning up and renovating the store plus new signage, which could "cost $10,000 by itself." In addition, morale of existing employees in those situations "is generally very low."

By the time all those expenses are tabulated, Bergren said, they generally equal or exceed the $220,000 that it normally costs to construct a new Round Table store.

Chi-Chi's to open in Britain

LOUISVILLE, Ky. — Chi-Chi's Inc. said it had entered a joint venture agreement with Ranks Hovis McDougall PLC to open Mexican dinnerhouses in Britain.

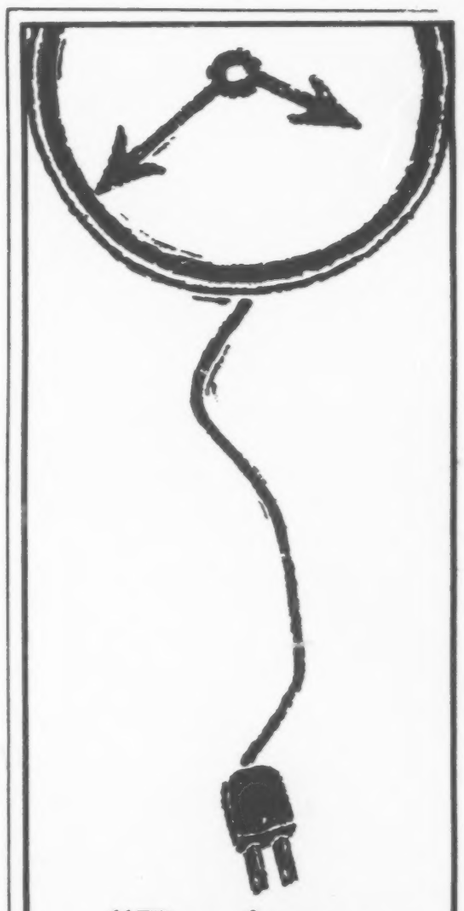
The new company, Chi-Chi's Mexican Restaurants Ltd., plans to open its first unit in 1986. It is Chi-Chi's second venture outside the United States; its first was Canada.

Calibre set to sell all Rax units

WORTHINGTON, Ohio — Calibre Corp. said it is leaving the restaurant business following a $1.1 million loss in its second quarter, ended Jan. 27. The company agreed to sell all 14 of its Rax units to Rax Restaurants Inc. for $1.3 million and at least 70,000 shares of Rax common stock. Officials said they were exploring the sale of the eight Pizza Time Theatre units the company also franchises, but they would not name any potential buyers.

Holiday Inns prevents takeover

MEMPHIS — Holiday Inns Inc. will seek shareholder approval of a reincorporation in Delaware and the adoption of provisions "to give some protection to our shareholders against the effects of an unfriendly takeover," said chairman Michael D. Rose. The company will also ask stockholders to approve a change in name to Holiday Corp.



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